

Coins

Opinions split on gold act ramifications

By Roger Boye

THE PRICE of United States gold coins may skyrocket when the gold ownership act becomes law on Jan. 1, say some numismatic observers.

Others disagree, saying U. S. gold coin prices will remain stable or even drop in 1975. But almost all observers agree the new law will increase the U. S. citizen's awareness of the precious yellow-colored metal.

The new law is the latest chapter in a gold-ownership story which started during the Depression. The U. S. coinage act of 1792 provided for the mintage of U. S. gold coins. As a result of the depression, however, President Roosevelt issued a proclamation in March, 1933, which ended the minting of gold coins, prohibited further transactions in gold coins, and ordered Americans to turn in gold coins and gold bullion to the government.

Later that year, the regulations were eased to permit possession by collectors of rare gold coins, and the possession of some forms of gold jewelry. The Gold Reserve Act of 1934 formally ended the coinage of gold in the United States.

Thus, collectors have had the right to own U. S. government-minted gold coins, except for a brief period in 1933. The law to take effect Jan. 1 will extend this right. Americans will be able to

own gold in any form, not just U. S. gold coins.

In 1975, gold will be available in any quantity, shape, or form Americans want to buy. Privately produced gold medals, gold bars, gold wafers, and foreign gold coins will likely be widely advertised and sold in the U. S. Incidentally, the new law could take effect earlier than Jan. 1 by order of President Ford, according to a provision in the act. Or, if the President believes gold sales will disrupt the economy, he could ask Congress to extend the ban prohibiting private ownership of gold bullion.

Some economists believe the new law will create a modern-day gold rush, with as much as five-million ounces of gold bullion sold in 1975. However, the Treasury Department and other economists believe buyers' enthusiasm will diminish after an initial flurry. And, one Wall Street analyst said recently, the new law will be met with a "collective yawn."

Numismatists disagree on how the presumed increased interest in owning gold bullion would affect the value of U. S. gold coins in the hands of collectors and on sale in coin shops.

Those expecting the price of U. S. gold coins to skyrocket as a result of the new law use these arguments among others:

A rush to buy gold will



A 1907 "Indian head" \$10 gold piece

push the price of gold bullion to new heights. Currently, the free market price is about \$150 an ounce. Gold reached a peak of \$179.50 an ounce April 3 on the London gold market.

Some persons believe with a much greater demand, this price could reach \$300 an ounce by next July. [A more realistic prediction would be the \$200 to \$250 an ounce level.] With a rise in the price of gold bullion, the price of U. S. gold coins will increase by a proportional amount, the argument goes.

Those who foresee a rise in the price of U. S. gold coins also say many Americans still think it is illegal to own U. S. gold coins. With publicity about the new law, these citizens will realize for the first time they may own gold coins, and will rush to buy them.

Thus, these observers say, U. S. gold coin prices will increase because [1] the value of the gold in the coins will increase rapidly, and [2] the demand for U. S. gold coins will increase greatly, the result of a new market of gold-hungry Americans.

But to other numismatists, this reasoning ignores at least one important fact:

The price of U. S. gold coins is much higher than the value of the gold in the

coin. For example, an uncirculated U. S. Liberty \$10 gold piece with a common date sells for about \$170 in some Chicago area coin shops. The \$10 gold piece has slightly less than a half ounce of pure gold. With gold bullion selling for \$150 an ounce, the value of the gold within the \$10 gold piece is worth less than \$75.

Obviously, then, the fact the \$10 gold piece sells for \$170 is largely the result of its collector or numismatic value, not so much the result of the value of the gold bullion.

Some observers predict the price of U. S. gold coins will approach a level about 15 per cent more than the value of the gold bullion in the coin. That would be quite a change since currently an uncirculated U. S. \$10 gold piece, for example, sells for more than 100 per cent over the value of the bullion in the coin.

In summary, these observers say [1] the demand for owning U. S. gold coins will drop because [2] the demand for owning gold bullion [gold bars, wafers, medals] will increase greatly, and [3] the price of U. S. gold coins will approach the value of the bullion within the coin, possibly resulting in a drop in the price of U. S. gold coins.